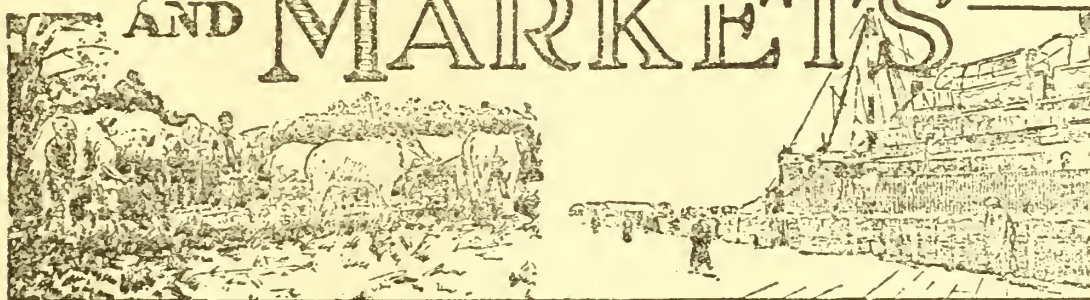


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FOREIGN CROPS AND MARKETS



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AGRICULTURAL POLICIES IN JAPAN: SILK

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L A T E C A B L E S

Czechoslovakia 1935 production reported as follows, with 1934 comparisons in parentheses: Potatoes 282,079,000 bushels (351,757,000), sugar beets 4,026,000 short tons (4,675,000). (International Institute of Agriculture, Rome, February 24, 1936.)

Punjab, India, second estimate of the wheat area sown for harvest in 1936 placed at 10,236,000 acres as compared with the second estimate for 1935 of 9,986,000 acres and the final estimate of 10,483,000 acres. (International Institute of Agriculture, Rome, February 26, 1936.)

CORRECTION: A revision has been received for the figure on deliveries of Chinese cotton to Shanghai mills during October-January 1934-35. The figure given in the third column of the second table on page 239 of "Foreign Crops and Markets" for February 24 should be 235,000 instead of 335,000 bales. Based on these figures, deliveries to mills during October-January 1935-36 were 70 percent larger than for the same period a year ago and not "nearly a third larger", as stated in the second paragraph on page 217 of the same issue.

CROP AND MARKET PROSPECTS

BREAD GRAINS

Summary of recent information on sowings for 1936

Official estimates of the acreage sown to winter wheat for harvest in 1936, as reported for 16 countries, total 137,683,000 acres, which is practically the same as the 137,720,000 acres sown by the same countries for 1935. If the respective estimates for the U.S.S.R. are included in these totals, however, a gain of about 2 percent is indicated. The preliminary estimate for Germany is placed at 4,614,000 acres as against the first estimate last year of 4,609,000 acres, which was revised upward as the season advanced, with the result that the harvested area amounted to about 4,726,000 acres. Lithuania and Latvia show the greatest decreases from 1935 so far reported, with the exception of Canada, where sowings were about 25 percent smaller this season.

WINTER WHEAT AND WINTER RYE: Area sown for harvest, 1933-1936

Country and commodity	1933	1934	1935	1936	Percentage 1936 is of 1935
	1,000	1,000	1,000	1,000	Percent
<u>Winter wheat</u>	<u>acres</u>	<u>acres</u>	<u>acres</u>	<u>acres</u>	
13 countries reported	127,635	129,591	132,489	132,551	100.0
Germany.....	a/ 5,011	a/ 4,668	b/ 4,609	4,614	100.1
Lithuania.....	393	403	411	346	84.2
Latvia.....	183	210	211	172	81.5
Total (16).....	133,222	134,872	137,720	137,683	100.0
U.S.S.R.....	a/ 25,703	c/ 26,259	c/ 31,876	d/ 24,721	109.1
<u>Winter rye</u>					
8 countries reported	25,743	25,812	27,170	e/ 27,410	100.9
Germany.....	a/ 11,019	a/ 10,932	f/ 10,670	10,702	100.3
Lithuania.....	1,201	1,215	1,227	1,177	95.9
Latvia.....	627	654	658	592	90.0
Rumania.....	924	886	939	865	92.1
Total (12).....	39,514	39,499	40,664	40,746	100.2
U.S.S.R.....	61,818	58,472	58,519	57,426	98.1

a/ Harvested acreage. b/ First estimate of sowings; harvested acreage 4,726,000 acres. c/ Sown acreage; 32,258,000 acres planned. d/ Sown acreage; 34,731,000 acres planned. e/ Revised from 26,410,000, due to error in reporting the first estimate for Poland, which was 14,323,000 instead of 13,323,000 acres. f/ First estimate of sowings; harvested acreage 11,026,000 acres.

C R O P A N D M A R K E T P R O S P E C T S , C O N T ' D

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The acreage sown to winter rye in 12 countries reporting likewise shows little change from the sowings of the same countries in 1935, the totals being 40,746,000 and 40,664,000 acres, respectively. A slight reduction is indicated if the estimate for the U.S.S.R. is included. The first estimate for Germany was placed at 10,702,000 acres as compared with the first estimate for 1935 of 10,670,000 acres. A reduction of about 10 percent is reported in Lithuania. In Latvia 592,000 acres were sown as against 658,000 acres in 1935.

The Shanghai wheat market

Prices of foreign wheat in Shanghai first declined during the week ended February 21 and then later recovered, according to a radiogram from the Shanghai office of the Foreign Agricultural Service. Domestic prices of both wheat and flour followed the trend of foreign quotations, so that the latter continued to be above local flour parity. Spot prices were practically unchanged for domestic wheat, the supply of which was very limited in Shanghai and of inferior quality. Purchases could be made at premium prices only since the recent unfavorable weather in some sections, which has lowered prospects for the 1936 crop. It was reported, however, that two cargoes of Australian wheat were afloat for Shanghai, having been sold to Shanghai mills during the price decline. In order to conserve domestic supplies to mix with foreign wheat, most of the Shanghai mills were inactive, while the others were operating at reduced capacity.

Prices of wheat, with all duty and port dues paid, were quoted in Shanghai as follows: Australian (New South Wales) for March delivery 95 cents per bushel, Canadian No. 4, 97 cents. Domestic wheat for February and March delivery was 84 cents per bushel. Domestic flour for February and March delivery was 98 cents per bag of 49 pounds; Australian, c.i.f. Hong Kong, \$3.42 per barrel of 196 pounds.

The 1936 wheat crop of Manchuria is expected to exceed that of 1935, and Harbin prices of wheat and flour declined somewhat during the past month. A good demand was reported for flour to be consumed in Manchuria, and the Harbin mills were quite active to meet it. Their flour production in 1935 was placed at 4,166,700 bags of 48.75 pounds as compared with a 1934 total of 2,800,000 bags.

Portugal subsidizes wheat exports

The Portuguese Government has provided for the subsidized export of approximately 11,000,000 bushels of surplus wheat, according to a report received from Vice Consul Daniel B. Anderson in Lisbon. Portugal

CROP AND MARKET PROSPECTS, CONT'D

is ordinarily a small importer of wheat, but large wheat harvests during the last 2 years resulted in an accumulation of stocks which could not be disposed of internally. Various methods have been used to dispose of these stocks, including a government storage program, but these have been only partially successful.

Wheat prices in Portugal are fixed at from \$1.41 to \$1.62 per bushel depending on the quality of the grain. To encourage exports, therefore, a subsidy is necessary. Funds for the payment of this subsidy will be obtained through a tax of 15 cents per bushel on all wheat produced in the future and from duties collected on imported wheat.

FEED GRAINS

Summary of recent information

The first estimate of the area sown to winter barley in Germany for the 1936 harvest is 1,006,000 acres, which is the largest on record. It is 19.1 percent above the area sown for the 1935 harvest, and about 52 percent larger than the average acreage of the past 5 years. The winter barley acreage in Germany has in the past averaged less than 20 percent of the total barley acreage. The condition of the winter barley crop in Austria as of February 1 is reported as above the average condition on that date.

The condition of the new corn crop in Argentina, which was planted on the largest acreage on record, has deteriorated recently. Serious damage has been reported from locust attacks and lack of rain.

RICE

Smaller world rice crop outside of China, where increase reported

The 1935 rice production in 10 countries reporting to date, exclusive of China, is 99,293,000,000 pounds compared with 102,392,000,000 pounds harvested in these countries in 1934 and 109,864,000,000 in 1933. World production, exclusive of China, in recent years has averaged slightly over 130,000,000,000 pounds. Yields per acre in 1935 were smaller on the average than in 1934, since the 1935 area of 103,971,000 acres in the reporting countries was only slightly under the 104,834,000 acres of 1934. Increases in acreage and production were quite general,

CROP AND MARKET PROSPECTS, CONT'D

but these were offset by reductions in India and Siam. The 1935 acreage in India was the smallest since 1929; in Siam, since 1931. The exportable surplus from the 1935-36 Burma (India) crop is 7,063,000,000 pounds of cleaned rice and rice products compared with 7,401,000,000 pounds exported in the preceding season. The Siam surplus available for export, including the carry-over, was estimated at 3,968,000,000 pounds of rice and rice products. Crop prospects in French Indo-China were reported by Consul Quincy Roberts as being favorable. Exports from Saigon in 1936 may not be greatly different from last year.

The following table shows the area and production in the 10 countries from which reports have been received for the 1935 season.

RICE: Area and production in specified countries, 1932-33 to 1935-36

Country	1932-33	1933-34	1934-35	1935-36 _{a/}
	<u>1,000 acres</u>	<u>1,000 acres</u>	<u>1,000 acres</u>	<u>1,000 acres</u>
AREA				
United States	873	792	781	784
Spain	123	116	114	114
Italy	335	331	323	340
Bulgaria	19	17	20	19
Egypt	489	438	407	488
India	82,882	83,102	81,980	81,454
Japan	7,983	7,778	7,775	7,852
Chosen	4,027	4,160	4,195	4,127
Taiwan	1,642	1,669	1,648	1,676
Siam	7,441	7,448	7,591	7,117
Total of countries reported for 1935	105,814	105,851	104,834	103,971
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
PRODUCTION _{b/}				
United States	1,146	1,029	1,064	1,068
Spain	433	402	400	402
Italy	894	941	840	895
Bulgaria	22	19	26	25
Egypt	749	727	698	982
India	69,695	69,133	67,785	62,091
Japan	18,972	22,251	16,279	18,526
Chosen	5,135	5,866	5,390	5,756
Taiwan	2,815	2,627	2,855	2,934
Siam	6,963	6,869	7,055	6,614
Total of countries reported for 1935	106,824	109,864	102,392	99,293

Division of Statistical and Historical Research.

_{a/} Preliminary. _{b/} In terms of cleaned rice.

CROP AND MARKET PROSPECTS, CONT'D

The Bureau of Plant Industry of the Philippine Islands estimates that the 1935 Philippine rice crop will probably not be more than 2,611,000,000 pounds compared with an average production of 3,025,000,000 pounds during the past 4 years. The smaller crop was due to floods, drought, and plant disease.

The total 1935 rice crop of China was estimated by the Shanghai office of the Foreign Agricultural Service at 83,000,000,000 pounds compared with 72,800,000,000 pounds harvested the preceding year and an average harvest of 86,000,000,000 pounds. The 1935 harvested acreage, although slightly larger than that of last year, was about average. The quality of the 1935 crop, while variable, was above that of last season and about average. The carry-over of old rice on October 1, 1935 was very small, since practically all of the normally surplus-producing areas in 1934 had poor harvests. Although China is the largest rice-producing country, it is also the largest rice-importing country. The Shanghai office estimates that foreign rice imports in the 1935-36 crop year will not exceed 1,200,000,000 pounds, which compares with 3,175,000,000 pounds in 1934-35 and 2,153,000,000 pounds, the average for the 10 years, 1925-1934. Recent Chinese currency inflation, which has caused higher foreign quotations in China, is a factor in reducing rice imports for the current crop year. Moreover, efforts are being made to reduce imports.

FRUIT, VEGETABLES, AND NUTS

Prospective apple exports from Australia and New Zealand

Around 4,590,000 bushels of apples have been allocated for export to the United Kingdom from Australia and New Zealand during the 1936 export season starting in February, according to a cable from Fred A. Motz, Agricultural Commissioner at London. Last year exports amounted to slightly less, or 4,500,000 boxes. Shipments from Australia are expected to reach 3,511,000 boxes compared with 3,443,000 boxes in 1935. The movement from New Zealand will be around 1,079,000 boxes compared with 1,057,000 boxes in 1935.

The apple season in Australia is reported to be about 3 weeks earlier than last year. Should this prove to be the case, competition with American apples may be expected to develop earlier than usual in the European market. Four ships were scheduled to sail from Tasmania in February, while the majority of the shipments from Australasia are booked to move during March, April, and May.

C R O P A N D M A R K E T P R O S P E C T S , C O N T ' D

Apple exports from Novo Scotia above last season

A total of 1,126,896 barrels of apples had been exported from Nova Scotia up to January 22 which is 31 percent larger than exports to the same date last season, according to a communication from the American Consulate at Halifax. Apples remaining for shipment from the Annapolis Valley total around 475,000 barrels, which is much less than the quantity on hand at this time last year and indicates an early termination of the exporting season. The total exports for the season are expected to run around 1,600,000 barrels. Only a limited quantity has moved to Canadian markets, most of the shipments having gone to the United Kingdom. Returns, to growers have been very satisfactory which has caused an optimistic feeling in the Valley relative to the future of the apple industry, according to the report.

United Kingdom imports more California grapes

The total imports of California grapes into the United Kingdom for the 1935-36 season totaled 196,000 packages compared with 122,000 last season and 77,000 in 1933-34, according to a statement in the Weekly Fruit Intelligence Notes of the Imperial Economic Committee. The season ended about February 1. Shipments this season started about a month later than in the 1934-35 season, the first supplies arriving in the second week of September, according to the report. One reason why the season ends about February 1, in addition to the fact that California supplies are scarce by that time, is that the import duty of 1.5 pence (3 cents) per pound on grapes, other than hothouse, is effective from February 1 to June 30. South African supplies, which are duty-free, are received during this period. The duty was imposed as a result of the Ottawa Agreements, to protect this trade.

Australian canned fruit pack larger

Production of canned apricots, pears, and peaches in the Australian state of Victoria for the 1935 season amounted to approximately 2,463,000 dozen cans, according to Ralph H. Hunt, American Vice Consul at Melbourne, that figure representing an increase of 28 percent over production in 1934. The Victorian pack for the 1935 season represented 64 percent of the total Australian output, the Vice Consul reports. The Victorian production would probably have been somewhat larger except for the loss of a considerable quantity of fruit through insect pest ravages. This situation was particularly true in the Goulburn Valley district of Victoria where the bulk of the Victoria canning crop is grown.

CROP AND MARKET PROSPECTS, CONT'D

Cuban vegetable shipments increase: Mexican movement smaller

Exports of winter vegetables to the United States from Cuba have been larger this season than in 1934-35, with a smaller movement recorded for the Mexican west coast, according to consular advices received in the Foreign Agricultural Service. The total movement from Cuba for the period November 1-January 31, 1935-36, was around 22,480 short tons against 17,450 tons in the comparable 1934-35 period. Shipments of Mexican vegetables through Nogales in the 1935-36 period totaled about 5,362 short tons against 5,867 tons in 1934-35. Tomatoes comprise the largest single item in the vegetable exports from both countries. Other important items in the Cuban trade are lima beans, eggplant, green peppers, cucumbers, and okra. In addition to tomatoes, the principal exports from the Mexican west coast are green peas and green peppers.

In Cuba a protracted period of hot winds throughout the tomato regions has injured the quality of the early crop remaining for export, according to Consul H. S. Tewell at Habana. The late crop also may have been damaged somewhat. February exports of tomatoes, however, are expected to be about as large as the February 1935 movement when 4,982 short tons were shipped. February is the last month of the seasonally lower duties effective under the trade agreement with the United States. Exports of tomatoes to the United States in the period November-January 1935-36 reached 16,557 tons against 14,374 tons in the comparable 1934-35 period. Lima beans were up to 2,420 tons this season against 1,006 tons in 1934-35. Exports of eggplant in the 1935-36 period reached 1,212 tons against 498 tons a year earlier. The movement of green peppers reached 847 tons for the 1935-36 period, more than double the 1934-35 movement.

Exports of Mexican west coast vegetables entering the United States at Nogales for the period November-January 1935-36 amounted to 5,382 short tons, according to Vice Consul Thomas M. Powell. The comparable 1934-35 figure was 5,867 tons. The current season's movement, however, is considerably larger than the comparable 1933-34 movement of 3,746 tons. Most of this season's decline below 1934-35 occurred in green peas. Entries through Nogales account for most of the American imports of Mexican west coast vegetables. The 1935-36 tomato movement reached 3,455 tons for the months indicated, compared with 3,237 tons a year earlier. Most of the tomatoes were from Sonora. The Sinaloa crop is now ready to move, and is expected to reach its peak in March. The movement of green peas through Nogales for the 1935-36 period reached only 1,110 tons against 1,991 tons in 1934-35. The Sonora season was about over by the end of January and future movements depend on market conditions. Total vegetable shipments from Sinaloa this season are expected to be about equal to or slightly smaller than those of last season.

CROP AND MARKET PROSPECTS, CONT'D

LIVESTOCK, MEAT, AND WOOLGermany moves to increase hog weights

New regulations to raise the slaughter weight of hogs have been promulgated in Germany, according to Agricultural Commissioner H. E. Reed at Berlin. The new measures are the latest of a series designed to control the production of hogs within the various weight classes. This action has been regarded as necessary in connection with measures adopted to control the imports of pork products, as well as to utilize most effectively the available supplies of feedstuffs.

For some time it has been apparent that the number of hogs marketed during the early months of 1936 would be smaller than during the same period last year. In order to obtain more nearly the same quantity of pork and lard, therefore, an order was issued effective February 1, 1936, which divides the Class "B" slaughter hogs into two groups, B1 and B2, and increases the premium paid on hogs falling in the heavier of these two classes. Prior to February 1, the Class "B" hogs ranged from 240 to 300 pounds, and under an order issued last October these hogs received a premium of 36 cents per 100 pounds over the basic price. In view of the none too plentiful supplies of fat, advancing feed prices, and the increase in feed requirements which naturally accompanies the production of hogs of the heavier weight classes it is possible that most of the hogs of Class "B" fell within the lower limits of that class. The new order specifies that hogs in Class B1 shall weight 270 to 300 pounds and those in Class B2 shall weight 240 to 270 pounds. The premium paid for Class B1 hogs is 72 cents per 100 pounds over the basic price. It is believed that the immediate effect of the new order will be to reduce marketings of Class B2 hogs and somewhat later to increase the marketings of Class B1 hogs. The continuation of this tendency, however, appears to be dependent on the feed situation and future price relationships. The increase in the premiums paid on Class B1 hogs was no doubt a move to offset the unfavorable hog-feed price ratio existing for heavy hogs.

Other measures adopted by the German authorities such as the restoration of price spreads between classes and the prohibition of slaughter of hogs weighing less than 180 pounds in cities with markets and less than 190 pounds elsewhere are now showing results. The monthly average weight of hogs slaughtered in September was 200 pounds but this increased to 207 pounds in October, 215 pounds in November, and 220 pounds in December. It is difficult to see how those heavy slaughter weights can be maintained, however, as hog numbers are increasing and feed supplies are diminishing.

AGRICULTURAL POLICIES IN JAPAN: SILK a/

For a number of years the agricultural policy of the Japanese Government has been concentrated mainly on the stabilization of agricultural prices and on the achievement of self-sufficiency in agriculture. The present article, dealing with government regulation of silk and its effect upon cocoon raising, which is the most important source of cash income in Japanese agriculture, is an attempt to describe in some detail one aspect of Japan's policy with respect to agriculture. The government policies concerning rice and wheat will follow in a subsequent issue of "Foreign Crops and Markets."

The unprecedented progress of industrialization in Japan during the last 60 years should not obscure the fact that the rural population still constitutes approximately 50 percent of the total population of the country and that agriculture remains the leading industry with respect to invested capital and net output. But, notwithstanding the important position of agriculture in Japan's national economy, it is commonly agreed that it has been suffering from an ever-deepening crisis while Japanese industry and trade have been expanding and prospering. Japanese agriculture has found itself since the World War, and particularly since 1929, in a condition worse than that of agriculture in most other countries. Japan's agriculture has a surplus problem of its own; it has suffered from the sharp decline in world prices; it carries a tremendous debt and tax burden; and its average farm unit is only 2.5 acres in size. This situation, which has affected adversely the balance between agriculture and industry in Japan's national economy, confronted the country with the problem of how to proceed with industrial development, at the same time safeguarding the agricultural economy of the country. Certain measures have been adopted toward this end, but before discussing the nature of these measures, it seems pertinent to touch briefly upon some of the leading factors which have contributed to the present difficulties.

Area of cultivated land

The total area of Japan proper is estimated at 94,000,000 acres and the area of cultivated land at around 15,000,000 acres. These figures show that the proportion of the arable land to the total area is small, only 15.8 percent. There is little possibility of the cultivated area being greatly enlarged in the near future. The utilization of the land is very highly developed by the most careful methods. The topography of the country being generally steep and mountainous, there is but small undeveloped area which is suitable for cultivation, and however hard the farmers may try they cannot increase appreciably the area of cultivated land. It seems well to keep in mind, therefore, that the expansion of arable land in Japan has almost reached its limit.

a/ Prepared by W. Ladejinsky, Foreign Agricultural Service Division.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

Rural population

The total number of agricultural households is estimated at 5,600,000, aggregating a rural population of about 30,000,000. The density of population is now 4.78 persons per hectare of cultivated land, making the Japanese villages the most densely populated in the world. In such densely populated countries as Belgium and England, for instance, intensive methods of cultivating the land are practiced, but in Japan the very intensive system of agriculture may well be regarded as spade-farming. The rapid progress of industrialization of Japan has absorbed many people from the rural districts, but not in sufficient numbers to relieve the pressure against the land, a factor which forms one of the basic causes of Japan's agricultural ills.

Land distribution and tenancy

The size of an individual holding is extremely small, and if the land in Japan were evenly distributed it would amount to 2.5 acres per family. In reality, however, great numbers of the Japanese farmers own much less than 2.5 acres as is shown by the following table:

JAPAN: Number of farming families according to size of cultivated area and apportionment of arable land, December 31, 1930

Arable land per family	Actual number		Percentage of total	
	Number of families	Area cultivated	Number of families	Area cultivated
	<u>Thousands</u>	<u>Thousand acres</u>	<u>Percent</u>	<u>Percent</u>
Less than .25 acre	1,939	1,188	34.6	8.2
.25 acre to 2.5 acres ..	1,916	3,521	34.2	24.3
2.5 acres to 5 acres ...	1,227	4,510	21.9	31.1
5 acres to 7.5 acres ...	317	1,943	5.7	13.4
7.5 acres to 11.5 acres.	129	1,264	2.3	8.7
More than 12.5 acres ...	71	2,068	1.3	14.3
Total	5,599	14,494	100.0	100.0

Mitsutaro Araki, "Japanese Papers", Vol. XIV, "Control of Industry in Japan".

The table shows that 34.6 percent of all the families manage less than .25 acre per family, while those managing from a quarter of an acre to 2.5 acres and 2.5 to 5 acres comprise 34.2 and 22 percent of all the farm households, respectively. The first two groups, which make up 68.8

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

percent of the entire rural population, cultivate 32.5 percent of the land; on the whole, nearly 52 percent of all the farm owners possess less than 1.25 acres each. On the other hand, the three groups which cultivate 5 acres per family and more, represent 9.3 percent of all the farmers but control 36.4 percent of all the arable land. Of these three groups, two, which number 200,000 families and represent but 3.6 percent of all the families, control 23 percent of the entire land. The above figures seem to indicate that a great deal of the cultivated land is concentrated in comparatively few hands, while almost 59 percent of all the farm households suffer from lack of land. If the latter group is to improve its economic position, it must rent additional land from those in whose hands it is largely concentrated. This has brought about the development of tenancy in Japan on a large scale.

Of all the farmers, 31 percent are independent, about 27 percent are tenants, and 42 percent are part tenants and part owners. As to their land, 46 percent of the paddy fields are cultivated by independent farmers, and the remaining 54 percent by tenants; 60 percent of dry fields are cultivated by independent farmers and 40 percent by tenants. The independent farmers, therefore, cultivate 52 percent of all farm land, while the tenants cultivate a total of 48 percent.

Land prices and rents

Extremely high prices of land and high rentals are characteristic of Japanese agriculture. Though land prices have declined considerably in recent years, the average price of an acre of rice land was as high as \$483 in 1934, according to the Hypothec Bank of Japan. During the years 1929, 1931, and 1933 the average price of an acre of land was \$1,230, \$820, and \$405, respectively. Even the low 1933 price is twice as high as in densely populated European countries.

In view of the fact that the greater number of Japanese farmers have to rent additional land, where the arable land is so limited and so much of it controlled by a relatively small number of owners, competition for the land has been so strong that rents have been pushed very high. The average rent for the medium or high-quality one-crop field is often 55 to 60 percent of the crop, while in the case of the two-crop fields the rent is from 60 to 65 percent. In the case of the low-quality one-crop or two-crop fields the rent is 5 to 10 percent less. A rental amounting to more than half of the crop is particularly significant in the light of the fact that a Japanese tenant farmer does not simply offer his labor to the landlord for the cultivation of the land and receive a share of the crop, but owns his cattle and implements and buys his own seeds and fertilizer.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

Monoculture

Another cause for the weakness of Japanese agriculture in addition to the concentrated holdings and the high rents is that the land is customarily used to produce one main crop only. Rice is by far the most important product, although much territory is also devoted to mulberry trees. The pronounced tendency toward monoculture arises from the traditional practice of the whole Japanese population to depend largely on one article of diet. But monoculture always means greater risks, since the success of the year's work depends chiefly on the outcome of the rice harvest and the prevailing rice prices.

Indebtedness and taxation

The burden of debt shouldered by the Japanese farmers is a close second to the fall in prices as a cause of the existing crisis in Japanese agriculture. For years the farmers have been getting into debt and paying interest at an average rate of 10 percent per year. The total farm debt is estimated at from 7 to 10 billion yen. About 79 percent of the farms in central Japan are in debt. The average indebtedness per farm is above 1,000 yen. According to a recent investigation, the total debt of 92,500 farmers in the province of Akita amounted to 104,000,000 yen (nearly \$30,000,000) and was distributed as follows: An average of 2,000 yen per farm of an independent land-owner, 1,000 yen per tenant-owner, and around 800 yen in the case of a tenant-farmer. The fall in the price of agricultural commodities rendered it impossible for the farmers even to pay interest on their debts, while the fall in the value of farm lands would have bankrupted the country banks had they foreclosed on the farms immediately as security for loans.

JAPAN: Relative burden of direct taxes on land-owners
and business proprietors, 1929

Annual income in Yen	Per-capita taxes					
	Paid by farm land-owners			Paid by business proprietors		
	Total	National	Local	Total	National	Local
	Yen	Yen	Yen	Yen	Yen	Yen
1,200	270	68	202	126	44	82
2,000	530	144	286	230	88	142
3,000	874	259	615	366	157	207
5,000	1,395	457	938	701	316	385
10,000	3,485	1,187	2,298	1,603	814	799
30,000	12,097	4,956	7,141	6,819	3,737	3,081
100,000	53,225	22,168	31,057	30,058	17,883	12,175

Ouchi, Hioye, "Tax Burden on Salaried Men and Farmers as Revealed by the Official Survey of Their Livings", XIX Session de l'Institut International de Statistique, Tokyo, 1930, p. 9. Cited in Harold J. Moulton's "Japan", Washington, D.C., Brookings Institution, 1931.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

The indebtedness is not due solely to the large payments in kind that leave insufficient money to buy the expensive artificial fertilizers which are required because of the lack of manure. The present tax system, as illustrated by the table on the preceding page, is also responsible for the increase in the indebtedness.

The taxation system bears down more heavily on land than on the new mobile wealth of trade and industry. The per-capita taxes on the farm landowners are roughly double those on business proprietors. When in the last decades of the nineteenth century Japan embarked on a policy of industrialization, the country was then largely agricultural. Because the Government had to provide considerable financial assistance in building up Japanese industry, agriculture was taxed directly and indirectly to pay much of the cost of industrialization. The agricultural economy of the country stood this burden because, before the war, prices of food products, including Japanese rice, were at high levels. But since the post-war decline of the country's agricultural economy, Japanese agriculture is hardly in a position to support any longer the country's industrialization program. Yet, judging by the present taxation system, it seems that the long-established practice of favoring industry as against agriculture still continues.

Agriculture since 1930

The above-mentioned agricultural conditions had been gradually undermining Japanese agricultural economy for many years prior to the depression, but the full significance of the fundamentally adverse factors was not revealed, chiefly because of the high prices of the two staple Japanese products, rice and silk. Beginning with 1930, however, when the price of those products fell sharply, the Japanese agricultural economy reached a critical stage. The average annual value of agricultural production for the period 1919-1928 was approximately 4,600,000,000 yen. The first decline occurred in 1929, when the total agricultural production was estimated at 3,802,000,000 yen. The real decline came in the years of 1930 and 1931, particularly during the latter year, when the value of agricultural products amounted to 2,245,000,000 or less than 50 percent of the 1919-1928 average. The estimated value of agricultural production increased during 1932 and 1933 to 2,633,000,000 and 3,246,000,000, respectively. But even the 1933 estimate was 14 percent below that of 1929 and was nearly 30 percent below the average for the years 1919-1928. In 1934 the value of agricultural production in Japan amounted to 2,790,000,000 yen, which represented only 60 percent of the 1919-1928 average and was 30 percent below the estimated value of 1929.

During the years 1930 and 1931 the economic depression was pronounced, both in industry and agriculture. Since then the depression

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

has been centered upon agriculture in contrast to the apparent prosperity of industry. Depreciation of the currency, low wages, and a highly rationalized industrial organization have given Japanese exports a significant price advantage, but there has been no such escape for agriculture. The latter failed to benefit even indirectly because the exports which have advanced especially in the last 2 years were cotton, rayon, and miscellaneous manufactured articles, the raw materials of which are imported. The expansion in the textile industry led to the employment of a greater number of workers from the villages who would otherwise have been unemployed, but this was not sufficient to improve general rural conditions.

The farmer and the domestic market

Depressed agricultural conditions have an adverse effect upon industry and commerce, since the former result in a lowered purchasing power of the farmers. The estimated demand of the agricultural population of Japan amounts to almost one billion yen. As a market for manufactured goods, the rural districts are scarcely less important than are foreign countries. Since almost 50 percent of the population derives its income from agriculture, the sharp decline of agricultural prices meant a sharp reduction of its income. For this reason, the decline in the home market for industrial products was serious.

The Government and the agricultural problem

The Japanese Government has realized the necessity of enacting a number of measures with a view to preventing a further fall in agricultural prices, of supplementing the purchasing power of the farmers, and of mitigating the burden of the farmers' indebtedness. The enacted measures, which involve a considerable degree of government control over Japan's agricultural economy, relate to silk, rice, and wheat. With respect to the latter two products, the government measures aim to maintain self-sufficiency in basic foodstuffs through a system of tariff protection and price stabilization. In the case of silk, the measures are concerned with the problem of how to maintain the export price of the commodity at profitable levels.

Government silk regulationsThe early period

Before the World War the government agricultural policy was concentrated chiefly on the improvement of the technical side of production. The development of the silk industry along such lines was part of this policy. In 1870 the Government established a filature, where, with the help of French technical experts, modern servicultural methods were introduced. The methods employed there were to serve as a model for privately owned filatures. In promoting the development of the silk industry, the

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

Government took all possible precautionary measures against silkworm diseases; laws enacted toward this end were based largely on the Law for the Examination of Silkworm Eggs, promulgated in 1886 in order to prevent the spread of pebrine, the most serious disease of silkworms. In 1884 the Government made possible the systematic study of the latter through the establishment in Tokyo of a special sericultural station, reorganized in 1896 into a sericultural institute. A similar institution was established in Kyoto in 1899, and a number of sericultural schools and stations, largely under the direct supervision of the Government, were organized during those years.

The results of the investigations carried on in the various sericultural institutions were published and distributed free of charge among the sericulturists. The year 1895 marked the establishment in Yokohama of the Raw Silk Conditioning House. The latter has been of great value in developing the export trade of raw silk by providing an authoritative medium for testing, grading, and standardizing the quality of raw silk. No silk may leave the country until it has met with the approval of the Government Conditioning House, which is supported by an appropriation of about \$200,000 a year.

The law of 1911

Measures to increase the production and quality of silk reflect the government policies toward the silk industry during the 1870-1910 period. The first radical departure from this policy occurred in 1911, when the Raw Silk Industry Act was passed. The promulgation of this Act was prompted by the developments in the silk industry during the period 1906-1910. After the Russo-Japanese War, the country experienced a business boom of considerable proportions. In 1907 raw silk was selling at 1,250 yen per bale, which was the highest price yet attained. The depression which followed the boom brought down the price of silk, so that in 1910 it sold at 880 yen per bale. In an attempt to prevent such wide fluctuations in the future, the Act of 1911 was passed. Its main provisions were as follows: a/

- (1) Production of silkworm eggs was prohibited to unlicensed persons.
- (2) Regulations for the prevention of pebrine were made stricter.
- (3) New regulations concerning production and conditioning of silkworm eggs were provided.
- (4) For the purpose of securing improvement in the quality of raw silk and the increase of exports, the Act provided for the formation of a Central Organization for Sericulturists and Raw Silk Producers' Associations.

In the same year, the Government for the first time launched upon the production of silkworm eggs, thus taking upon itself the distribution of original or standard silkworm eggs. This venture and the Act of 1911

a/ Taikichiro Mori, "Silk Control in Japan" in "Commodity Control in the Pacific Area". W. L. Holland, editor, 1936, p. 203.

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differ from former government measures pertaining to silk because their scope has been extended from the prevention of cocoon diseases and the encouragement of unlimited production to that of control of the silkworm production itself, which is the basis of silk production. For this reason the Act of 1911 may be viewed as an important step toward government regulation of the silk industry.

Control of production in 1914

The price of raw silk rose steadily after 1911, and in July 1914 silk was quoted at 1,100 yen per bale. Upon the declaration of war, the price dropped over 200 yen. Anticipating a still further decline, the Japanese silk interests decided to decrease the supply of silk by curtailing production. The Yokohama Raw Silk Exporters' Association, together with all the reelers whose output of raw silk was over 500 bales a year, agreed upon the following terms: (1) Overtime in the morning and at night should be prohibited; (2) reeling operations should be stopped on November 30 in the Shinsu province, and February 1 in other districts; (3) the above should not be applied to any previous contracts which were made before September 2, but all such contracts should be presented for approval by the Yokohama Raw Silk Exporters' Association. a/

These provisions of what is known as the Silk Trade People's Agreement of 1914 failed to take into consideration the basic element of the silk industry, cocoon raising, despite the fact that the cocoon raisers were vitally affected by the price changes of raw silk. It remained for the Government to enact certain measures which would benefit the farmer-sericulturists. The main provisions of the government measures were as follows: a/

- (1) The Bank of Japan granted loans with which to buy cocoons and rediscounted bills on the dried cocoons stored in authorized warehouses.
- (2) The government railway reduced the freight charges on cocoons from August 15 to October 31.
- (3) The Government facilitated the export of raw silk by enacting the law of guaranteeing short-time marine insurance.
- (4) The Treasury Deposit Bureau granted loans to the exporters of raw silk and cocoons to the amount of 5 million yen through the Bank of Japan.
- (5) The Bank of Japan guaranteed loans of about 350 yen per bale. a/ Finally, considering the fact that the fall in the price of silk was due not only to the loss of the European market but also to the depressed silk market conditions in the United States, the Government decided to send a silk expert to the United States to survey the situation there.

a/ Ibid, p. 208.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

The significance of these measures lay in the fact that they applied to the entire silk industry and that the Government, for the first time, took an active part in helping the raw-silk industry to overcome the effect of a decline in prices. The government measures enacted during the previous crises which the silk industry had had to weather "were more or less long-term measures to control or encourage the development of the industry. But this time, in 1914, the depression was so severe, and the position of the industry had grown so important in the national economy, that the Government was forced to take some drastic relief measures of immediate effect." a/

Silk prices, 1915-1918

The control measures of 1914 brought about comparative stability rather than a rise in prices. Early in 1915 it became obvious that the 1914-15 silk year would end with a loss to the reelers, and to avoid a still greater loss a considerable quantity of cocoons would have to be carried over into the 1915-16 season. To escape these developments, the silk interests once more sought and secured assistance from the Government. Under its direction there was organized the Imperial Silk Company with a 7,000,000-yen capital, of which the Government subscribed 5,000,000 yen. The price of silk was to be pegged at 800 yen, or 100 yen higher than the November-December 1914 minimum. Before the Imperial Company began purchases, however, the price of silk reached the 800-yen minimum. In May, the Government refused funds to the Imperial Silk Company to operate in the new season and ordered the company to use its remaining capital for the purchase of old silk. This fund was soon exhausted, and toward the end of June, the Imperial Silk Company ceased operations, while active governmental participation in price-supporting schemes did not again take place until 1920.

From the second half of 1915 on, the price of silk showed a steady rise. World production in 1915-16 was estimated at 41,000,000 pounds against 51,000,000 pounds in 1914-15. Yet the chief cause of the rise in price was attributed not so much to a diminished supply as to improved business conditions in the United States. Silk fabrics were in great demand, and exports of Japanese silk to the United States during the last 6 months of 1915 reached 18,000,000 pounds. This amount not only exceeded the exports of the last 6 months of 1914 by more than 40 percent but also marked a record never before attained. It brought exports to the United States for the year up to 31,000,000 pounds against 26,000,000 the previous year and 28,000,000 pounds in 1913.

The upward curve of economic activity in the United States in 1916 was accompanied by rising prices and increasing demand for silk products. The greater demand for raw silk, coupled with a considerable amount of speculation and a growing scarcity of the product, caused the price of silk to rise from an annual average of 850 yen per bale in 1915 to 1,230 yen in 1916. Silk prices reached still higher levels during the following 2 years, despite occasional set-backs. An agreement among reelers, concluded in

a/ Ibid, p. 209.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

November 1917, to peg the price at a certain level helped to sustain it. But the real forces contributing to the rise were controlled neither by the Japanese Government nor the Japanese silk industry. Among such elements the following are mentioned: Increased freight rates and excessive war-time insurance, which practically cut off Italian raw-silk exports, and high exchange rates which prevented appreciable exports from China; suggestions made in the United States shortly after declaration of war concerning a revenue duty on raw silk and the resulting rush to purchase silk; scarcity of "spot silk" at the end of the season; fear among American silk manufacturers of the extension of the submarine campaign and rumors of American restrictions of raw silk imports. Yet, important as these factors were in stimulating the demand for Japanese silk and enhancing its price, it was pointed out that "more fundamental than either of these was the widely distributed prosperity in the United States". a/ The extent to which this factor affects the price of raw silk will be gleaned from the discussion of some Japanese schemes for regulating the price of silk after the war.

Government measures for regulating silk in 1920

This immediate post-war depression destroyed the market upon which the Japanese silk industry depended. The result was the falling of prices which began in February 1920. The full significance of the decline may be seen in the following table:

JAPAN: Price of raw silk, by months, 1920
(Per 100 kin of 133 pounds, Shinsu Grade A)

Month	Futures	Spot
	<u>Yen</u>	<u>Yen</u>
January	4,440	4,300
February	3,843	--
March	3,625	3,380
April	3,288	3,080
May	2,431	1,990
June	1,906	1,620
July	1,590	1,400
August	1,040	1,280
September	1,697	1,500
October	1,643	<u>a/</u>
November	1,675	<u>a/</u>
December	1,550	<u>a/</u>

Taikichiro Mori, "Silk Control in Japan" in "Commodity Control in the Pacific Area", W. L. Holland, editor, 1936, p. 211. a/ Selling discontinued.

a/ Ryder, Oscar B., "Prices of Silk and Silk Products". Published by War Industries Board, Bulletin No. 25, 1919, p. 12.

AGRICULTURAL POLICIES IN JAPAN: MILK, CONT'D

The monthly price figures show that in January 1920 raw silk prices reached an all-time peak. Average quotations for that month were 4,340 yen per bale or about \$16.00 per pound in New York. This was followed by a sharp break in prices and average quotations dropped about 4,340 yen in January to 1,280 yen in August. Early in May various interests representing the silk industry agreed upon a number of measures with a view to raising the price of silk. The Raw Silk Exporters' Association organized a syndicate, the chief aim of which was to discontinue selling at prices lower than 1,800 yen per bale. In June the Yokohama Raw Silk Traders' Association agreed to reduce the amount of silk to be received for export by 30 percent every month from July 1 to the end of the year; in August this figure was reduced to 50 percent, while from October '22 to the end of the year no raw silk for export was to be received. In addition to these measures, it was agreed to reduce the hours of labor in the reeling industry to nine a day.

These schemes were not effective. With the price of silk in August touching a new low level of 1,280 yen per bale, it became apparent that the various groups in the silk industry, motivated by cross-purposes, were in no position to sustain the price or enforce the restrictions agreed upon, unless aided by the Government. An agreement was effected between the Government and representatives of the industry, with the result that in September 1920 the Imperial Raw Silk Company was organized with a capitalization of 16,000,000 yen. The methods of raising the price were to consist of buying up the accumulated stocks at 1,500 yen per bale and checking production. On November 10, 1920, it was decided to stop all silk reeling in Japan for a period of 80 days, and Yokohama silk dealers agreed not to accept raw silk between December 1, 1920, and February 15, 1921.

The terms upon which the Government agreed to aid in the operation of the Company were as follows:

- (1) The Government through the Industrial Bank of Japan and the Hypothec Bank of Japan consented to grant a 50,000,000-yen loan to the Imperial Raw Silk Company for a period of 2 years.
- (2) The Company agreed to pay 5 percent interest, in addition to 0.6 percent commission, making a total of 5.6 percent per annum, which was considerably below the current rate.
- (3) The government fund could be used only for the purchase and sale of raw silk.
- (4) The Government was to supervise the enforcement of the various restrictions which the silk groups imposed upon themselves voluntarily..

In the middle of October 1920 the Company fixed a minimum silk export price, ranging from 1500 to 1680 yen per bale. Only silk for home consumption could sell at lower prices. Between January 1920 and September

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

1921 about 70,000 bales of silk were purchased and stored in warehouses. As a result of this operation, the 50,000,000-yen fund was practically exhausted without in any way raising the price of silk. The Government was approached once more, and this time it agreed to cover the company's losses not exceeding 30,000,000 yen. The failure to raise the price of silk, notwithstanding the active government assistance, was attributed to the fact that the New York market failed to respond because economic conditions in the United States throughout 1920 and the first half of 1921 were at a very low level. However, with the improvement of economic conditions in the United States in the fall of 1921, the price of raw silk in Japan began to rise. Toward the end of 1922 silk was quoted at 2,000 yen per bale. The silk disposed of by the company at rising prices netted a 10-percent dividend on the invested capital, in addition to 3,000,000 yen which were turned over to the Government in order that the work of the Raw Silk Conditioning House might be extended and new silk warehouses built. It is worth emphasizing that, as in 1917, the rise of prices was not brought about by the measures promulgated by the private interests and the Japanese Government but largely through an active demand for silk in the American market.

During 1923, 1924, and 1925 the prices of silk held up fairly well, fluctuating around 2,000 yen per bale. In 1926 the price declined by 350 yen, and in 1927 by another 200 yen. The silk reelers were hardest hit by the decline. Their purchases of cocoons begin in June and continue throughout the summer. The continued price decline, which culminated late in 1927, caused many reelers to sell raw silk for less than they paid for the cocoons. Under the circumstances, they had been unable to repay their bank loans and could not peg the price of silk at around 1,350 yen per bale by taking off the market a quantity of silk. The silk reelers appealed to the Government for help. The Government consented to make the necessary funds available, by permitting reelers' trade associations to lend their joint credit to their members. On this credit the Bank of Japan was authorized to make loans at rates of interest below their normal levels and with security considerably less ample than the bank had been accustomed to demand. With funds thus procured, 12,000 bales were bought and stored. It may be pointed out in this connection that, had consumption abroad declined, the prices in Japan would have fallen below the level of 1,270 yen, the lowest quotation during the year, notwithstanding the above measure. But the latter measure, in conjunction with a record-breaking American consumption of raw silk, absorbed most of the Japanese surplus stock and helped to stabilize the price around 1,350 yen per bale.

Government silk regulations since 1929

The economic depression which set in late in 1929 had disastrous effects upon the price of Japanese silk as illustrated by the fact that the September 1929 price of 1,350 yen per bale slumped to 700 yen a year later.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

In November 1929 silk was quoted at 1,150 yen per bale. This coincided with unexpectedly heavy arrivals of silk on the Yokohama and Kobe markets and a slowing up of the American demand for silk. The existing situation and the unfavorable outlook for the future caused, the silk holders to organize in November a purchasing company under government auspices for the stabilization of raw-silk prices. The company aimed to carry out the following:

- (1) To withdraw from the Yokohama and Kobe markets a maximum of 30,000 bales of exportable silk against advances of 1,250 yen per bale.
- (2) Complete stoppage of work in filatures during the second half of December.
- (3) Curtailment of production by 30 percent in all filatures from February 1 to May 31.

The adoption of this plan temporarily caused a firmer market. By the end of 1929 the price stood at 1,200 yen and practically the same level was maintained during the first 3 months of 1930. The fact was not overlooked, however, that stronger measures would have to be taken to protect the Japanese raw-silk industry in the face of the increasingly acute depression throughout the world. Anticipating a further decline, the reelers attempted to check it by keeping silk out of the markets. As on previous occasions, the Government took an active part in this effort. This came about through the enforcement of the Silk Indemnification Law which passed the Japanese Diet early in 1929 but was not applied until April 1930. The essence of the law was to withdraw from Yokohama and Kobe markets up to June 10 a maximum of 85,000 bales of silk against advances of 1,250 yen per bale. The Government was to hold itself responsible to the banks, in the case of loss at the time of liquidation, to the maximum amount of 190 yen per bale, always provided that the loss could not be recovered by the banks from the depositors.

The outstanding features of the law are as follows:

Article I. When it is considered necessary to stabilize the price of raw silk, the Government is authorized to make a contract guaranteeing a bank against any loss it may incur from granting loans to the raw-silk producers by discounting bills on the security of raw silk in accordance with the terms prescribed by the Minister in charge.

Article II. The law of making contracts to indemnify losses shall be effective from day of enforcement for 5 years.

Article III. The Government's bank guaranty against losses shall not exceed 190 yen per bale, while the total sum of such Government guaranty shall not exceed 30,000,000 yen. Indemnifying loss shall be made on advances made prior to June 10, 1930.

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Article IV. When a bank wishes to dispose of raw silk deposited there in order to recover its loan, the bank must obtain the approval of the Minister concerned, the price of silk being determined by a special silk price stabilization committee.

Article V. The Government may indemnify a bank with National Bonds bearing 5 percent interest.

Article VI. Should a bank which has made such contract fail to carry out the provisions of this law, the Government may cancel the contract, may refuse to indemnify part or the entire amount of the loss, or may compel the bank to refund whole or part of the indemnified sum, as the case may be.

Article VII. In the course of enforcing this law, the Minister concerned may order the silk producers, wholesale dealers, and banks to submit reports on their business and assets, as well as examine their affairs.

The application of this law enabled the producers to secure loans of over 100,000,000 yen, with the help of which they purchased and stored 200,000 bales of raw silk. This was the biggest operation of its kind sponsored by the Government, but it turned out to be ineffective as a measure for sustaining the price of silk. The price continued to fall as economic conditions in the United States grew worse. In 1930 exports of raw silk dropped 18 percent in volume and 46 percent in value. Imports of Japanese silk by the United States declined 106,034 bales, or 23 percent; consumption of Japanese silk in the United States dropped 65,718 bales, or 14 percent. When the Silk Indemnification Law was put into effect in April 1930, silk was quoted at around 1,150 yen per bale but in November and December of the same year at 580 and 630 yen per bale, respectively. In view of the sharp break in prices, it would seem that the Silk Indemnification Law facilitated the storage of raw silk through the guaranteed bank loans but failed to stabilize the price of silk.

The stored silk could not have been sold at current prices without incurring a loss of over 100,000,000 yen. The sale of such a quantity of silk would have sent current prices still lower if further measures had not been put through with a view to bolstering up the price of silk. Upon the request of the silk interests, the Government agreed to delay the disposal of the stored silk until such time as better prices could be obtained. The term of storage was extended from 6 to 27 months, and the rate of the Government guaranty was increased from 1,900 to 3,516 yen for every 1,000 bales so that it would cover the interest on the loans, the storage charges, and the deterioration of the raw silk resulting from the extended storing. The total sum of the new government

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

guaranty was not to exceed 30,000,000 yen. These measures, however, failed to raise the price. In May and June, as the time of marketing the spring cocoon crop grew near, the price of silk reached a new low of 530 yen per bale.

The huge supply of stored silk brought about through the application of the "Silk Indemnity Law" served as a barrier to rising prices. There was a fear that if a rise came, this silk would be placed on the market and cause another break in prices. The problem was one of disposing of the stored supply. The bankers, reelers, and weavers submitted a plan to the Government under which none of the stored raw silk was to be exported, but turned into silk goods over a period of 3 years, exporting part and selling the balance in the home market. The plan met with the Government's approval, but shortly thereafter the bankers withdrew their consent, announcing that they refused to wait 3 years to get their money back. Since the Government guaranteed part of the losses of the banks, they foreclosed the silk with a view to selling it and determining the amount due from the Government.

This action threw the whole matter back into the hands of the Government. If it wished to carry out the plan already approved or prevent a new sharp decline in prices, the Government had to relieve the banks of their silk holdings. Thus, the ineffectiveness of the indemnification scheme caused the Government to purchase 98,000 bales of silk held by a bank syndicate and to withdraw it from the market. The decision to do so was announced by the Government on June 5, 1932. Through the purchase of this stock and operation of the Silk Indemnification Law, losses amounting to 95,000,000 yen were incurred, of which 46,000,000 yen were borne by the Government, 38,000,000 by the silk reelers, and the remainder by the banks.

The Government and cocoon raisers

During the period under consideration the main efforts were concentrated on taking reeled silk out of the market with a view to stabilizing its price. But even before the failure of the government measures toward this end became apparent, some attention was paid also the problem of limiting the output of raw silk. In 1931 all filatures were closed during the month of March, the commission merchants in Yokohama and Kobe stopped receiving any consignments of raw silk during the same month, while bankers' loans were restricted for the same purpose. The restriction of the silk output, however, depended not so much upon the temporary shut-down of silk-reeling establishments as upon cutting the supply at its source, i.e., cutting the output of cocoons. It was expected that the latter would raise the price of cocoons, which had declined from an average of 7.58 yen per kwan (8.27 pounds) in 1929 to 4.02 and 3.13 yen in 1930 and 1931, respectively.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

The low standard of living already prevalent in rural parts of the country, coupled with a further drop in the price of silk and a decline in exports, was aggravating the Japanese agricultural problem. To mitigate the difficulties, the Government extended financial aid to cocoon raisers. During the latter part of 1930 and through 1931 they secured from the Government loans amounting to 120,000,000 yen. While intended as a relief measure, the Government utilized these loans as a means of curtailing the cocoon crop; when in 1931 the Japanese Government loaned the cocoon raisers 60,000,000 yen, it was done with the provision that some curtailment of the cocoon crop be accomplished. In 1931 cocoon output was 8 percent and in 1932 over 16 percent smaller than in 1930. The prices of cocoons, however, continued to fall and in 1932 they sold at one of the lowest prices on record. The decline of the cocoon output unsupported by an active demand for stored or newly reeled silk, rendered ineffective the Government's attempt to raise the price of cocoons by restricting their output.

Silk Manufacturers' Union Law

The Government aimed to regulate the silk industry not only directly through curtailing production and pegging prices, but indirectly as well through the revision of the Silk Manufacturers' Union Law which was passed by the Japanese Diet on March 17, 1931. The main points of the law are as follows:

- (1) The Silk Manufacturers' Union shall be a juridical person aiming improve and develop the industry.
- (2) The Silk Manufacturers' Union shall be divided into groups of sericulturists, silkworm growers, filatures, industrial unions, raw-silk manufacturers, raw-silk wholesale dealers, and raw-silk exporters.
- (3) A Japanese Central Sericulture and Raw Silk Association shall be organized by the Silk Manufacturers' Union in place of the present Central Association of Silk Manufacturers. The newly formed organization shall be charged with the duty of expanding foreign silk markets.

The reason for enacting this law, as well as its aim, is explained in the following statement by the Japanese Minister of Agriculture:

"Due to the fact that no legislation provides for cooperation between these (silk) bodies, their systems of operation have been very difficult, and the purposes of the organizations have not been easily accomplished. Moreover, being unable to cooperate with one another, the work, with regard to the promotion of the silk industry as a whole, has been deplorable. The present conditions, as well as the future of the silk-manufacturing industry,

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require the speedy establishment of corporation systems which will permit the improvement and development of the industry and a perfect control. It is in accordance with this need of improving the silk industry that the present union bill has been formulated."

The license system

By 1932 the Japanese Government was so heavily involved in the silk situation through the contribution of something over 100,000,000 yen in previous years, and the silk interests were so insistent on further government aid, that the future progress of the industry seemed largely dependent upon government policies with regard to it. Numerous proposals were entertained by the Government, such as cutting production costs by improving cultivation methods for mulberry fields, encouraging the production of better classes of cocoons, development of new uses for silk, and licensing reelers and placing silk exports under government control.

One of the first concrete expressions of these proposals was the adoption of a license system for reelers enacted into law on August 26, 1932. According to this law, the establishment of new filatures employing less than 150 basins, if a privately owned enterprise, or less than 100 basins, if on a cooperative basis, is prohibited. Furthermore, the Silk Manufacturers' Law promulgated on September 6, 1932, provides that no filature of any size can be built without first acquiring a government license. The following are the main provisions of the law:

Article I. Those who wish to be silk manufacturers (silk reelers) shall be licensed by the authorities concerned.

Article II. The authorities concerned may give orders to silk manufacturers upon any matter necessary in the control of silk manufacturing.

Article III. The authorities concerned may cancel the licenses granted to silk manufacturers who do not start business within 2 years after the date of receiving licenses.

Article IV. The authorities concerned may cancel the license, or restrict or suspend the business, upon detecting any offense against this law.

Article V. The Minister concerned or the prefectural Governor may request the silk manufacturers to submit reports concerning their business, or may have their officers personally inspect the offices, sales shops, factories, warehouses, and other places, business files, etc.

AGRICULTURAL POLICIES IN JAPAN: SILK, CONT'D

Article VI. Noncompliance with the provisions of Article II shall be punished by a fine of not more than 1,000 yen.

For the first time a license system in Japan was extended to a purely private business. The system, in this case, aimed to eliminate the smaller filatures and those incapable of satisfactory operation and to concentrate the industry in larger and more efficient units. But, judging by the provisions of the Silk Manufacturers' Law, this was to be accomplished through a considerable degree of direct government control over one of the most important branches of industry. With the failure of the governmental measures promulgated to date to raise the price of silk, it was realized that a basic reconstruction of the industry was necessary. The licensing system was a step in this direction.

Other measures followed the promulgation of the license system. In 1933 the Japanese Diet passed two bills relating to raw silk. One was a law covering the government control of silkworm eggs. The purpose of the bill was to reduce the variety of eggs from 600 to about 10. The diversity of breeds naturally militates against uniformity of filaments, not to speak of their quality. Indeed lack of uniformity has long been a standing complaint against Japanese raw silk on the European and American markets, which demand a large quantity of raw silk threads of uniform quality. The significance of this bill from the point of view of government regulation of the silk industry is in the following provisions of the law: First, the production of eggs is limited to national and prefectural authorities and parties who, having adequate equipment and technical knowledge, may be licensed by the Minister for Agriculture and Forestry; second, the licensees may produce silkworm eggs only from the original ones produced by the Government exclusively.

The second law pertains to the control of sales of raw silk for export. The purpose of the law is to prevent violent fluctuations of prices by limiting the sales of commission merchants with small capital. To bring this about the law provides that sales contracts between commission merchants and exporters shall be registered, and, what is more important, commission merchants of raw silk for export must have a government license.

Recent legislation and proposals

Conditions in the cocoon and raw silk markets were very unsatisfactory during 1934. The year's production of cocoons was 20 percent smaller than that of 1933, yet they sold at very low prices throughout the year. The average price for the year was 2.38 yen per kwan in comparison with 4.95 yen in 1933. Silk, too, was priced at low levels. Prices reached a peak of 642 yen per bale in February, after which there was a gradual decline to 469 yen in August. The average quotation for the year was 535

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yen per bale as against 760 in 1933, or a drop of nearly 30 percent. The main causes were the depressed conditions in the United States, inroads made by rayon, and the large potential supply in Japan which was only partially relieved by the curtailment of deliveries from filatures by 30 percent during the period of February to September.

In view of these conditions, several laws were passed in 1934 which provided for more rigid government regulation of the raw-silk market. The most important of these was the Raw Silk Transactions Law which became operative on July 1. The provisions of this law placed all wholesale dealers supplying exporters under a license system for 10 years and provided that all the raw-silk transactions by the licensees must be recorded in the Official Export Raw Silk Register.

The basic plan for the reorganization of the raw-silk industry, including government control of exports, is still under consideration and has not attained final form. It appears that provision will be made to regulate prices and production of cocoons and to stimulate export trade by the formation of an Export Raw Silk Sales Control Association, which, under the direction and supervision of the Government, will establish maximum standard prices, control trade practices, and generally supervise and regulate exports. The following are the chief provisions of the proposed plan:

No. I - Object and organization of the Association

- (1) An Association for controlling the raw-silk trade will be organized through government legislation.
- (2) The main aims of the Association will be:
 - (a) To promulgate controlling measures for the stabilization of the export price of silk.
 - (b) To regulate the silk business and to promote campaigns with a view to increasing the consumption of raw silk through new uses as well as new markets.
- (3) The association will be a juridical person; membership in the Association is compulsory and is to consist of all silk filatures, wholesalers, and raw-silk exporters. Withdrawal is subject to approval of the Association and certain laws enacted by the Government in this connection.

No. II - The function of the Association

- (1) To institute stabilization of silk prices:
 - (a) To set a maximum standard price, taking into consideration rayon prices in foreign markets, foreign demand for silk, price of cocoon and reeling cost of silk, and general economic conditions. The Association may promote measures for preventing extraordinarily high prices of silk.

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Whenever the actual selling price is higher than the maximum standard price, the difference shall be set aside for a reserve fund. A market selling price, which should be fixed from time to time, shall govern the daily silk transactions.

- (b) In case of extraordinarily low price, to set a minimum price and restrict trade below the minimum price. When necessary, the Association shall have the right to restrict the volume of trade or regulate exports.
- (2) To establish fair trade practices in raw-silk exports. The Association shall formulate fair practice rules and compel the membership to observe them.
- (3) The Association will endeavor to maintain the present market and at the same time develop new markets and find new consumption outlets. In order to execute the above, necessary means will be provided by the Association.
- (4) The Association will accumulate a reserve fund to meet the expenses for stabilization of raw-silk prices and to promote increased consumption of raw silk.

No. III - The place of the Government in the control of the raw-silk trade

- (1) The Government is to fix a standard maximum price of raw silk exports.
- (2) In time of emergency, the Government is to enforce the measures for stabilization of export silk price.
- (3) When the Minister of Agriculture and Forestry deems it necessary to regulate the silk business, he may order the Association to make necessary provisions. When the Minister of Agriculture and Forestry deems it necessary specifically to regulate exports of raw silk, he may order the non-members of the Association (presumably those allowed to withdraw) conducting export trade in raw silk to obey the regulation of the Association.

No. IV - Government subsidy

- (1) The Government will make loans or give other proper aid to the Association for stabilization of raw-silk prices.
- (2) Government subsidies of a limited amount will be provided to aid the Association's undertakings.

With respect to cocoon raising, which affects the Japanese farmers more directly, the main provisions of the Cocoon Marketing Plan now under consideration are as follows:

- (1) A cocoon price-fixing system.

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- (2) A compulsory system of trading in dry cocoons as well as a compulsory system of inspection of dry cocoons.
- (3) Changes in the methods of trading between cocoon farmers and cocoon brokers.
- (4) Improvement and changes in the reeling plants operated by the Cooperative Farmers' Association.

Special government subsidies and financial aid are to be given to various agencies for the purpose of carrying out this plan.

Conclusion

The Japanese private raw-silk interests have shown themselves incapable of solving the recurrent crises in the industry by their own means. Hence, the repeated attempts during the last 25 years to maintain the price of silk by means of government loans and subsidies, government purchases of surplus silk, and restrictions of silk sales and silk output sponsored by the Government. However, the realization of the government policies depended, to a large extent, upon economic conditions in the United States, Japan's principal market for raw silk. In addition, there is also the competition of rayon, which has become very pronounced during the last 3 years and has hindered government measures for stabilizing silk prices at higher levels.

Since 1930, it has been fairly obvious that the raw-silk industry is in need of more far-reaching government policies to meet the slump in the silk market. The situation as it existed until the latter part of 1935 was compelling the Government to examine thoroughly and prescribe new remedies for the various branches of the industry. The attitude of the Government has been in favor of price maintenance and the support of silk as a high-quality fiber, but the chief beneficiaries of the measures adopted to this end were the silk merchants and big silk reelers, rather than the farmers engaged in cocoon raising. Such a policy accelerated the economic distress of Japanese agriculture, since cocoon raising is very often the only source of cash income upon which millions of the farm population depend. This situation, in turn, caused a reduction of the tax resources and brought into the economic and political life of the country a disquieting factor of considerable proportions. The remedies as embodied in the recent legislation are yet another attempt to raise silk prices through tightening still further government control over the industry. It remains to be seen whether the application of the provisions of the new legislation will bring about permanent gains and, if so, whether the gains will be evenly distributed among cocoon raisers, silk reelers, and exporters.

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